

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 10 HANOI 000452

SIPDIS

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [VM](#) [SOE](#)

SUBJECT: VIETNAM: STATE ROLE IN THE ECONOMY

1. What follows is Embassy Hanoi's effort to map out the involvement

2. Goods, sectors and industries included in SOE fact sheets

Aviation
Banking
Beer
Cement
Chemicals
Coffee
Construction
Electricity
Footwear
Furniture and Wood-Based Products
Insurance
Liquor
Milk and Milk Products
Mining
Oil and Gas
Paper
Pharmaceuticals
Processed Food and Beverage
Railways
Rice
Rubber and Plastic
Securities
Ship Building
Shipping
Steel
Telecom
Textile and Apparel
Tobacco and Cigarettes

3. Explanation of Information in SOE Fact Sheets

Amount of State control: Indicates if there is a State monopoly poli

Market Share controlled by State: Reports State share of sector or i

Sector regulated by: Indicates body that oversees overall industry.
SOE.

Major SOEs: Lists the largest SOEs in each sector. This generally in

Key Associate SOEs: These may be large member enterprises under the

Non-State market shareholders: This attempts to list key domestic pr

Note: In conducting this research there were significant data gaps.

4. Aviation

Amount of State control: 100 percent

Market share controlled by State:

Domestic flights: 100 percent

International flights: 44 percent

Cargoes 30 percent

Sector regulated by: Civil Aviation Administration of
Vietnam (CAAV) under Ministry of Transportation

Major SOE's: Vietnam Airlines

Key Associate SOE's:

Pacific Airlines (86 percent owned by Vietnam Airlines, the remaining
VASCO (100 percent owned by Vietnam Airlines)

Non-State market shareholders: None

5. Banking

Amount of State control: 76 - 80 percent.

Vietnam has gone ahead of BTA commitments schedule to allow foreign c

Market share controlled by State:

Lending: 76-78 percent

Deposit: 80 percent

t: 80 percent

Sector regulated by: State Bank of Vietnam

Major SOE's:

Bank for Foreign Trade of Vietnam (Vietcombank)

Bank for Investment and Development of Viet Nam (BIDV)
Industrial and Commercial Bank of Vietnam (Incombank)
Vietnam Bank for Agriculture and Rural Development
(VBARD)

Note: Vietcombank is the first state-owned commercial bank slated fo

Key Associate SOE's:

BIDV Securities Company
Incombank Securities Company
Vietcombank Securities Company
VBARD Securities Company
Non-State market shareholders:
Market share (lending)
33 joint stock banks 10-11 percent

4 joint venture banks
VID Public Bank (50 percent BIDV)
Indovina Bank (50 percent Incombank)
ChoHung Vina Bank (50 percent Vietcombank)
Vina Siam Bank (37 percent VBARD)

27 foreign bank branches

Joint-venture banks and foreign bank branches have approximately 8-9

16. Beer

Amount of State control: No monopoly policy, but foreign investment

Production share controlled by:
State: 62.3 percent
62.3 percent
Domestic private: 11.6 percent
FDI: 26.1 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: SABECO, HABECO (hold a combined 40 percent market share)

Key Associate SOE's:
Hanoi-Haiduong Beer Joint-Stock Company
Thanh Hoa Beer Joint-Stock Company
Chuong Duong Beverage Company

Non-State market shareholders:
Heineken and Tiger (wholly foreign owned)
San Miguel, Fosters and Carlsberg (joint-ventures)

17. Cement

Amount of State control: No monopoly policy, but heavily protected w

Production share controlled by:
State: 66.8 percent
Domestic private: 3.0 percent
FDI: 30.2 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: Vinacement. This corporation includes all central state-

Key Associate SOE's: Holcim Co., (a joint venture between
Ha Tien Cement Co., a member company of Vinacement, and a
Swiss company)

Non-State market shareholders: Chinfon Haiphong Cement
Corporation

18. Chemicals

Amount of State control: No monopoly policy.

poly policy.

Production share controlled by: Since chemicals include a great vari
State control.

Percent: State Non-state Foreign-invested

Soldering stick:	100		
Chemical fertilizer:		99.7	0.3
Sulfuric Acid:	97	3	
Bicycle tubes:	80.2	3.6	16.1
Insecticide:	68.6	18.2	13.6
Bicycle tires:	61.4	8.3	30.3
Detergent:	41	8.8	50.2
Soda NaOH:	22.3	77.7	
Paint:	15	18.3	66.7

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: VINACHEM (Vietnam National Chemical
Corporation) with 41 member companies

Key Associate SOE's:
Yokohama Vietnam
P&G Vietnam, Lever Vietnam
Yogen Mitsui Vina
ICI (Vietnam ICI Paint Joint Venture Company)
JVF (Japan- Vietnam Fertilizer Company)
TPC Vina (TPC Vina Plastics and Chemical Company)

Non-State market shareholders:
Kova Paint Co. Ltd.
Tan Dai Hung Plastics Joint Stock Co.
Note: Concerning fertilizer, there is no protection policy.
zer, there is no protection policy.
The Government even encourages all sectors to be involved in manufact

19. Coffee

Amount of State control: No monopoly policy. The
Government encourages all economic sectors to make investments in the

Market share controlled by State:
Production share: 20 percent (80 percent belongs to farmers and plan
Share of exports: 80 percent

Note: Where there are no special conditions on the export of coffee,

Sector regulated by: Ministry of Agriculture and Rural
Development (MARD)
Ministry of Industry (MOI)
Ministry of Trade (MOT)

Major SOE's:
VINACAFE (Vietnam National Coffee Corporation)
INTIMEX (INTIMEX Import- Export Corporation)
Northern Foodstuff Company

Key Associate SOE's: Dakman Joint Venture Company

Non-State market shareholders:
Olam Company (100 percent foreign-owned)
Thai Hoa Production and Trading Co. Ltd
Trung Nguyen Coffee Enterprise

10. Construction

Amount of State control: No monopoly policy.

Market share controlled by State:
SOEs's turnover in 2004 accounted for 59.3 percent
SOEs's investment in 2003 accounted for 57.6 percent

Percent:	State	Private	FIE
Construction	56.6	42.7	0.7
Construction Materials	63.5	26.1	10.5
Consultancy Service	69.2	30.3	0.5

Note: Data in Ministry of Construction's (MOC) 2004 Annual
Industry Report covers only 39 provinces.

Players in the market: Total: 7,845 enterprises (as of
2002)

Major SOEs (100 percent State owned equity):
Vietnam Construction Import - Export Corporation
(Vinaconex)
Song Da Corporation

Note: All member companies of Vinaconex will be equitized in 2005. Th

Other SOEs:
Infrastructure Construction and Development Corporation
(LICOGI)
Vietnam Machinery Installation Corp. (LILAMA)
Housing and Urban Development Corporation (HUD)
Ha Noi Construction Corporation (HACC)
Construction Corporation for the Central Region
(COSEVCO)
Construction Corporation No. 1
Song Hong Construction Corporation
Vietnam Cement Corporation (VNCC)
Corporation (VNCC)
Construction Machinery Corporation (COMA)
Industrial Development Investment Corporation (IDICO)
Vietnam Building Glass and Ceramics Corporation
(VIGLACERA)
Building Material Corporation No. 1 (FICO)
Bach Dang Construction Corporation

Foreign Invested Enterprises (FIEs): 294 enterprises (as of
November 2004)

Sector regulated by: Ministry of Construction

Key Associate SOE's: Vinaconex 3, Vinaconsul, Vinata JV,
Vikowa Vinaconex

11. Electricity

Amount of State control: State monopoly in transmission.
Distribution and generation is open for all sectors.

Market share controlled by State:
Electricity generation production: 96.8 percent
(Non-state: 0.02 percent; FIE: 3.2 percent)
Transmission: 100 percent
Distribution: 100 percent

Major SOEs (100 percent State owned equity):
Electricity of Vietnam (EVN) with 53 subsidiaries

Non-SOE:
Quang Ninh Thermal Power Plan
Hai Phong Thermal Power Plan
Hiep Phuoc Electricity Company
Nomura Company
Mekong Energy Company
Vedan Power Company
ny
Bourbon Power Company

Sector regulated by: Ministry of Industry

Major SOE's: EVN

Key Associate SOE's:
Quang Ninh Thermal Power Plan
Hai Phong Thermal Power Plan

12. Footwear

Amount of State control: No monopoly policy

Percent production share controlled by:
State Domestic private FIE
Shoes and leather
footwear: 22.63443.4
Fabric Shoes: 52.143.7 4.1

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: LEAPRODEXIM (Vietnam National Leather and Footwear Corporation)

Key Associate SOE's:
Hanoi Shoe Joint-Stock Company
SAGODA Shoe and leather Joint-Stock Company
Viet Shoe Joint Stock Company.

Non-State market shareholders:
BITI'S, BITA'S
Cao Khai International Ltd.
Carimax Saigon Ltd.
Captopvina Vietnam Ltd.
Chang Shin Vietnam Ltd.
Chang Yang Vietnam Ltd.
Bely Enterprise Ltd.
Asia Song Production Ltd.

13. Furniture and Wood-Based Products

Amount of State control: No monopoly policy

Production share controlled by:
State: 15.5 percent
by:
State: 15.5 percent
Domestic private: 69 percent
FIE: 15.5 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: VinaFor

Key Associate SOE's:
Hai Phong Forest Products Stock Co.
Vietnam-Japan Wood Chip Co.
Co Do Stock Co.

Non-State market shareholders:
Khai Vy Ltd. Co.
Hoang Anh Gia Lai
Savimex
Scansia Pacific

14. Insurance

Amount of State control: Vietnam has agreed to allow market access f

Market share controlled by State
Life insurance: 43.8 percent
Non-life insurance 79.3 percent

Sector regulated by: Ministry of Finance

Major SOE's:

Bao Viet (43.8 percent for life; 41.3 percent for non-life)

Petro Vietnam Insurance (non-life 12.8 percent)

Vinare

Note: Vinare is specialized in reinsurance services. The Law on Insur

Key Associate SOE's:

Bao Minh (non-life market share 25.2 percent)

Note: Bao Minh has just been equitised and the State has retained 63

Non-State market shareholders:

OwnershipMarket share

Life Insurance:

Prudential wholly foreign owned 40 percent

40 percent

Manulifewholly foreign owned12 percent

AIAwholly foreign owned 5 percent

AIA-BaoMinh-CMG JV

(5 percent is the combined market share of AIA and joint venture AIA

Non-life insurance:Ownership

Bao Longjoint stock

Petrolimex Insurance joint stock

Post & Telecom Insurancejoint stock

Vien Dong JS Insurancejoint stock

Vietnam Int'l AssuranceJV (Bao Viet holds 51 percent)

United Insurance CoJV (Bao Minh holds 51 percent)

BIDV - QBE Insurance JV (BIDV holds 50 percent)

Samsung - Vina Insurance JV (Vinare holds 50 percent)

Incombank-Asia InsuranceJV (Incombank holds 50 percent)

Allianz - AGF Insurancewholly foreign owned

Groupama Insurancewholly foreign owned

15. Liquor

Amount of State control:No monopoly policy

Production share controlled by:

State: 4.0 percent

Domestic private: 95.6 percent

FIE: 0.4 percent

Sector regulated by:Ministry of Industry (MOI)

Major SOE's:HABECO; SABECO

Key Associate SOE's:

Hanoi Liquor Company

Binh Tay Liquor Company

iquor Company

Binh Tay Liquor Company

16. Milk and Milk Products

Amount of State control: No monopoly policy

Production share controlled by:

State:69.2 percent

Domestic private: 0.0 percent

FIE: 30.8 percent

Sector regulated by:Ministry of Industry (MOI)

Major SOE's:Moc Chau Cattle Breeding Company

Key Associate SOE's:

Vinamilk Joint-Stock Company (75 percent market share in milk)

Nutifood Joint-Stock Company

Kinh Do Joint-Stock Company

Non-State market shareholders:

Dutch Lady Vietnam

Delta

Note: Vietnam Milk Company (Vinamilk) is the largest milk company in

Moc Chau company is the only wholly state owned company in milk area

17. Mining

Amount of State control: 45-95 percent depending on product. Foreign

Market share controlled by:

StateNon-state FIE

Coal mining: 95 percent 2 percent3 percent

Metal ores:74 percent25 percent1 percent

Stone and

other mining:45 percent53 percent2 percent

Sector is regulated by: Ministry of Industry

Major SOEs:

Vinacoal
Vietnam Mining Corporation
Vietnam Mining Corporation
18. Oil and Gas

Amount of State control: The State controls both the upstream (exploration and production) and downstream (refining and distribution) activities. For upstream activities, PetroVietnam is the only firm authorized to explore and produce oil and gas.

Players in the market:

By ownership:
SOE (100 percent State owned equity):
Vietnam National Oil and Gas Corporation (PetroVietnam)
Petrolimex (under MOT)
Petec (under MOT)
PetroVietnam Trading Company (Petechem) (under PetroVietnam)
SaigonPetro (under Ho Chi Minh City People's Committee)
Vinapco (under Vietnam Airlines)

Non-SOE (foreign companies):

Vietsovpetro (JV)
Hoang Long Joint Operation, BHP Petroleum Vietnam, BP, ConocoPhillips, KNOC, SK Corp., GeoPetro, Mishubishi, PetroCanada, Sumitomo, Carigali, Petronas, Talisman, Cuu Long JOC, Elf Gas, Mobil Unique (a consortium of Mobil, Mitsui, and Unique Gas & Petrochemical), PTT Exploration, Enterprise, Fina, Idemitsu, IPL, Japan National Oil, Nexen, OMV, Occidental, Pedco, Statoil, TotalFina, and Zarubezhneft.

By production stage:

Upstream (exploration and production): PetroVietnam
More than 30 foreign companies operate in cooperation with PetroVietnam

Downstream: (SOEs only)

Petrolimex (largest importer with 60-70 percent market share), Petec,

Liquefied Petroleum Gas (LPG):

Saigon Petro, Petrolimex, Elf Gas, Mobil Unique

Sector Regulated By: Ministry of Industry (Upstream and LPG)
Ministry of Trade (Petroleum import)

19. Paper

Amount of State control: No monopoly policy, but highly protected with

Market share controlled by:

State: 33 percent
Domestic private: 35 percent
FIE: 2 percent
Imported: 30 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: Vinapimex (controlled by MOI) has 12 member companies

Key Associate SOE's: None

Non-State market shareholders:

New Toyo Tissue Paper Company (FDI)
Vinh Tien Joint-Stock Company
Le Hoa Joint-Stock Company
Tien Phat Co., Ltd.

20. Pharmaceuticals

Amount of State control: No monopoly policy, but manufacturing and distribution are controlled by the State. For the time being, the Government has allowed for parallel import.

t.

Production share controlled by State:

	State	Non-state	FIE
Medical ampoule:	84.6 percent	15.3 percent	0.1 percent
Liquid medicine:	83.7 percent	7.9 percent	8.4 percent
Tablets:	83 percent	14.1 percent	2.9 percent

Sector regulated by: Pharmaceutical Management Department
(Ministry of Health)

Major SOE's: Vietnam Pharmaceutical General Corporation, with 18 member companies

Key Associate SOE's:

Sanofi Pharma Vietnam
Rhône-Poulenc Rorer

Non-State market shareholders:

Hitsamisu
Rohto Mentholatilm
Novartis (wholly foreign-owned)
Do Thanh Pharmaceutical Co. Ltd.

21. Processed Food and Beverage

Amount of State control: No monopoly policy
Production share controlled by:
State: 38.3 percent
Domestic private: 37.6 percent
FIE: 24.1 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's:
Vifon
Vissan
Halong Canned Food Company

Key Associate SOE's: Vifon Acecook Joint-Venture

Non-State market shareholders:
Unilever Bestfood
Pataya Vietnam Ltd.
Ajinomoto Vietnam

inomoto Vietnam

22. Railways

Amount of State control: Monopoly policy applied.

Market share controlled by State: 100 percent

Sector Regulated By: Ministry of Transportation

Major SOE's: Vietnam National Railways (VNR)

23. Rice

Amount of State control: No monopoly policy, but trade subject to fo

Production share controlled by:

State	Non-state	FIE
Milled rice: 2.6 percent	97.4 percent	0.01 percent
Rice export: 97.9 percent	1.5 percent	0.5 percent

Sector regulated by: Ministry of Agriculture and Rural
Development (MARD)

Major SOE's: Vinafood

Non-State market shareholders:
Hiep thanh
Vinh Phat
Mivimex
Angimex-Kitoku

24. Rubber and Plastic

Amount of State control: No monopoly policy applied.

Market share controlled by:
Manufacture of rubber and plastic products:
State 31.1 percent
Non-state 44.2 percent
24.8 percent (production value)

Players in the market: Total of rubber and plastic manufacturers: 80

Rubber:
Major SOE (100 percent State owned equity):
Geruco
Casumina

uco
Casumina

Non-State:
Yokohama
Inoue
Kenda
Shinfa
Veloce
Camel

Sector Regulated By: Ministry of Industry

25. Securities

Amount of State control: Vietnam has not agreed to provide market ac

Market share controlled by State: State-owned securities firms take
Joint stock securities firms take the majority shares in stock-broker

Sector regulated by: State Securities Commission

Major SOE's:
BIDV Securities Company
Incombank Securities Company

Vietcombank Securities Company
VBARD Securities Company
Bao Viet Securities Company

Non-State market shareholders:
Market share
9 joint stock securities companies

ACB Securities Company
De Nhat Joint Stock Securities Company
Mekong Joint Stock Securities Company
Thang Long Securities Ltd. Company
Eastern Asia Bank Securities Company
Hai Phong Joint Stock Securities Company
Saigon Securities Company
HCMC Joint Stock Securities

1 joint venture fund management company

126. Ship Building

Amount of State control: No monopoly policy applied.

Market share controlled by State:

Ship Building in 2004: State, 80 percent; Non-State, 20 percent

SOEs account for 66 percent of the number of companies in this sector

Major SOEs (100 percent State owned equity):

Vietnam Shipping Industry Corporation (Vinashin)

Note: Vinashin includes 35 independent member companies, 13 dependent

Other SOEs:

Ba Son Shipyard Company
An Phu Shipyard Company (HCM)

Key Associate SOE's: Song Dao Marine Industry Company

Non-SOE:

Saigon Shipyard JV
Trung Hai Shipyard Company
Song Dao Marine Industry Company
Hoang Anh Marine Industry Company

Sector Regulated By: Ministry of Transportation

127. Shipping

Amount of State control: No monopoly. However, foreign investors are

Market share controlled by State:

Total capacity of Vietnamese flagged ships up to
October 2004: 2.85 million dead weight tons (DWT) (accounted for 18.5

SOEs' capacity up to October 2004: 62 percent (1.78 million DWT)
SOEs account for 57 percent of the number of companies.

es.

Key SOEs:

Vietnam National Shipping Lines (Vinalines)

Other SOEs:

Vietnam Ocean Shipping (Vosco)
Vitranschart

Key Associate SOE's: Gemartrans JV

Non-State:

APM-Saigon Shipping JV Company
Gemartrans JV
Gemadept
Vietnam Japan International Transport Co. (Vijaco)
Vietnam Container Exploitation JV (Vinabridge)

Sector Regulated By: Ministry of Transportation

128. Steel

Amount of State control: No monopoly policy, but heavily protected w

Production share controlled by:

State: 33.6 percent
Domestic private: 29.5 percent
FDI: 37.0 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's: Vietnam Steel Corporation

Key Associate SOE's:
Vina KyoEi Steel Ltd.
VSC-Posco Steel Corp.
Vinausteel Ltd.
Natsteel Vina Co. Ltd.

Non-State market shareholders: Zamil Steel Vietnam

129. Telecom

Amount of State control: Monopoly policies are applied for fix local

Market share controlled by State:

SOEs account for 66.7 percent of the number of companies.
nies.

SOE turnover in 2003 accounted for over 99 percent.

Fix local telephone service: 100 percent
VNPT, Viettel, SPT, ETC

Domestic long-distance telephone service: 100 percent
VNPT, Viettel, SPT, ETC

International long-distance telephone service: 100 percent
VNPT, Viettel, SPT, ETC

Domestic long-distance and international telephone service using IP p
VNPT, Viettel, SPT, ETC, Vishipel98.1 percent
Hanoi Telecom: 1.9 percent

Mobile service:100 percent
VNPT (MobiFone and Vinaphone) 90 percent
Vietel 4 percent
SPT (S-Fone) 6 percent

Leased Lines:
VNPT, Viettel,ETC 53 percent
FPT (equitized) 47 percent

Internet:72.9 percent
VNPT (VDC): 51.6 percent
Netnam 6.7 percent
SPT 6.3 percent
Vietel 8.3 percent
Hanoi Telecom: 0.2 percent
FPT (equitized)25.4 percent
OCI 1.4 percent

Sector Regulated By: Ministry of Post and Telematics

Major SOEs (100 percent State owned equity):
Sector Regulated By: Ministry of Post and Telematics

Major SOEs (100 percent State owned equity):
Vietnam Post and Telecommunications Corporation (VNPT)
Vietnam Military Telecom Company (VIETEL)
Saigon Post and Telecommunication Corporation (SPT)

Other SOEs:
Electricity Telecommunication Company (ETC)
Vietnam Shipping Telecommunication Company (VISHIPEL)
Netnam

Key Associate SOE's:
Hanoi Telecommunication Joint Stock Company (Hanoi
Telecom)
Note: State-owned capital accounts for 51 percent.

Non-SOE:
FPT (Equitized: 90 percent private and 10 percent
State)
One Connection Internet (OCI)

130. Textile and Apparel

Amount of State control: No monopoly policy

Production share controlled by State:
Textile31.7 percent
Apparel31.0 percent

Sector regulated by: Ministry of Industry (MOI); quota allocation is

Major SOE's:
Vinatex, controlled by MOI, members consist of all centrally-state ow
Long, Thang Loi, Nha Be

Key Associate SOE's:
Vinatex has nine joint-ventures with domestic companies such as Binh
Oriental Jade.
Non-State market shareholders:
holders:
There are more than a thousand companies, among the biggest companies
VinaKorea, APEX (FDI).

31. Tobacco and cigarettes

Note: As Vietnam has had to import most of tobacco so far, the data m

Amount of State control: The Government retains monopoly over cigare
August 24, 2004, the State will continue to retain full ownership ove
Cigarettes are an item subject to business restrictions and no import

Production share controlled by State: 100 percent

Sector regulated by: Ministry of Industry (MOI)

Major SOE's:

VINATABA (Vietnam National Tobacco Corporation)

Khanh Hoa Tobacco Company

Ben Thanh Tobacco Company

Dong Nai Tobacco Company

Binh Duong Tobacco Company

27/7 Tobacco Company

Key Associate SOE's:

Da Nang Tobacco Company (a joint venture between VINATABA and DaNang
American Tobacco, Japan Tobacco International and Philip Morris and V
(According to these contracts, VINATABA will manufacture cigarettes a

Non-State market shareholders: None. The private sector is only all